CONSUMER ELECTRONICS SHOWS

CE Section: Pp. 23-60
Computers: Pp. 35-42

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

VOL. 23, NO. 1 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 per copy | JANUARY 9, 1984

CES Newsbreaks

• **DISCOUNTERS ARE TRACKING A JOINT ATARI/** Activision venture to broadcast video games directly into consumers' homes—analogous to the impact of radio on record sales, officials of the two companies said.

Discounters, at first blush, weren't altogether sure of the effect. Said Ames' Jerry Fine: "It could have a double-edged effect, making hotter hits but hurting the more mediocre cartridges." Other chains generally agreed.

• **K MART IS LAUNCHING AT LEAST TWO SEPARATE** tests of electronic video game merchandising programs. One involves the Xante system in six Tulsa area stores; the other, Romox (see story, p. 26) in five California stores. Other chains are said to be looking closely at similar systems.

• **A.T.&T. IS REPORTEDLY READY TO INTRODUCE A** home computer toward the end of the first quarter. The company earlier confirmed that Bell Labs was "playing" with the idea, but spokesman Mike Granieri claimed no knowledge of a pending introduction, adding, "It wouldn't surprise me, though." The unit is said to be priced in the $400 price area.

Closeout Stores Multiply, Give Birth to an 'Industry'

By ARTHUR MARKOWITZ

[First of two articles.]

They're called closeout, odd lot, surplus or salvage stores.

But, no matter what the name, they have become increasingly important retailers of off-price merchandise, mainly hard lines, and in the process have given birth to an "industry."

Once populated predominantly by entrepreneurs with one or two stores that often began as salvage operations, the industry now taking shape has chains as the volume retailers, with a number of these companies either publicly held or considering such a step within the next year or two.

"Opportunistic buying" of whatever merchandise is available from manufacturers, importers, retailers, liquidators, insurance companies and similar sources is the common denominator of the industry, said Phillip Cohen, chairman of Job Lot Trading, a pioneer closeout chain.

A consensus of executives interviewed by *DSN* summed up the general operation of the industry as follows:

The chains purchase goods in quantities that run from small lots to trailer loads at prices that range from a sharp deal of 10¢ on the wholesale dollar cost up to a more common 50¢ on the wholesale dollar.

The merchandise, in turn, is sold to the consumers for the wholesale price or less, with the spread between the chains' purchasing cost and selling price generating gross margins that can range to 50% and more.

The profit potential generated by gross margins of 50% and more has resulted in closeout and salvage retailers ending up with a bottom line return of 5%

(Continued on page 77)

Closeout Chain (Hq. Location)	Estimated Sales (Millions) 1983	Number Of Stores 1984	Projected Store Openings In 1984
Pic 'n' Save (Calif.)	$210	85	4-10
Odd Lot (N.Y.)	110	75	50-60
Tuesday Morning (Texas)[A]	50	49	8
Building 19 (Mass.)	36	6	0
Job Lot Trading (N.Y.)	35	2	1-2
Shoppers' Choice (N.Y.)[B]	35	36	0
C.O.M.B. (Minn.)[C]	34	5	3
Railroad Salvage (Conn.)	25	5	1
Marden's (Maine)	15	4	1
Walls Bargain Center (Okla.)	12	12	2
Odd Lots (Ohio)[B]	12	21	30
Hudson Salvage (Miss.)	12	7	1
Don Gage (N.Y.)	12	4	0
Rockwell Salvage (N.J.)	6	5	2
County Dump (N.Y.)	5	3	1-2
Jackson Fire Sale (Miss.)	5	2	0
Dollar Saver (Okla.)	5	5	0
Walter Salvage (Miss.)	5	2	0
Wags (N.J.)[B]	2	5	1-8

[A] Stores open only during five specific months of the year. [B] Less than a full year of chain operation. [C] Includes mail order sales.

Source: DSN *research*

Wags Puts On the Dog: Goes Public

ROCHELLE PARK, N.J.—Three former top Two Guys executives are trying to go from Wags to riches by going public.

The 1½-year-old Wags is their entry into the fast-growing closeout, off-price merchandising field. Five stores were in operation by the end of last year, with up to eight more planned for this year, aided by a proposed $4.5 million stock offering.

The trio—board chairman Ronald I. Harris, president Salvatore D. Merlo and executive vice president Richard Seylaz—modeled Wags on such other closeout specialty stores as Job Lot Trading, the pioneer of this type of retailing, and Pic 'n' Save, which has 80 stores on the West Coast.

The three executives' move into closeout merchandising reflected their general experience at Two Guys, which relied on this type of merchandise for everyday sales and promotions to a much larger degree than other discounters. In addition, Seylaz, prior to joining Wags in its formation stage in August 1982, was a vice president of Job Lot and organized the hard goods department's sales force.

When Two Guys was in operation, Harris was a vp, Merlo a divisional merchandise manager for housewares, giftware, home furnishing and lighting, and Seylaz an assistant vp and

(Continued on page 77)

Digest
Jan. 9, 1984

APPAREL
• **Future Filene's Basements** will look dressier. (p. 11)
• **Gold Circle unveils sleek apparel push.** (p. 67)

CONSUMER ELECTRONICS SHOW SECTION
• **Red-hot telephone sales to** grow even hotter thanks to the A.T.&T. divestiture. (p. 23)
• **More chains gamble on** home-computer payoff. (p. 35)
• **Radio Shack's Bernie Appel** thinks they've got a winner: The Telephone Center. (p. 48)
• **tech hi-fi tries its hand at** off-price retailing. (p. 47)

INDEX

ADSCAN 63
Apparel 11
At the Source 58, 60
Catalog Showroom News .. 19
Editorial 6
Hardware 15
H&BA 18
Home Computer Market .. 26
NMRI President's Corner .. 6
Pilferage Prevention 62

Chains Analyze B&D Acquisition

Takeover to Slow G.E. Supplies?

By AL HELLER

NEW YORK—Discounters plan no immediate merchandising changes as a result of Black & Decker's pact to purchase General Electric's small-appliance business.

Many chains, however, foresee supply problems after the planned takeover this spring and are looking to alternate brands as backups.

In addition, some chains say they may replace weaker-performing G.E. products with those of competitors in the spring and fall seasons.

Retailers predict a rush by other manufacturers to grab market share during the corporate changeover. The iron and toaster-oven markets, which G.E. currently dominates, are most susceptible to efforts by Sunbeam, Proctor-Silex and Toastmaster brands, chain spokesmen said.

However, discounters largely agreed they'd give B&D a chance to prove itself before significantly altering category buying strategies. They've been told by G.E. sales representatives that G.E.'s current direct sales force will remain intact, as will B&D's other sales channels using middlemen for its existing products.

The supply issue is touchy, however, because many discounters were singed in 1983 by B&D's inability to provide promised shipments of its successful Dustbuster hand-held vacuum—a product considered the company's wedge into the housewares selling door. On the other hand, chains voiced no complaints about the flow of B&D's mainstay hardware products.

Still, ill will runs deep in some sectors of the trade.

Michael Anthony, Gold Circle divisional merchandise manager-home furnishings, cited problems obtaining Dustbuster: "The biggest crime in all of retailing is figuring out what we'll buy, when we'll run it in ads, have the manufacturer promise us support and then we don't get it shipped. It makes us nervous about missing ads and having holes on the floor, as [it] happened. We can't tolerate it from anybody."

That shadow of doubt, mentioned by several major discounters, could hurt trade commitment to G.E. brand small appliances.

To foster strong trade relations, B&D has to assume as innovative a posture in housewares as in hardware, said retailers.

"The anticipated competitive rush, and the company's need to win retailer and consumer favor well in advance of the three years it has to keep the G.E. name on products, makes it necessary," said K mart senior electric housewares buyer Dennis Dorn.

"This is a more substantial part of B&D's business than it was for G.E. They'll work hard-

(Continued on page 78)

Reagan Orders Sweeping Curbs On Textile Imports From China

WASHINGTON—President Reagan's abrupt order for sweeping new restrictions on textile imports from mainland China and dozens of other nations represents a strategic setback for K mart, Zayre, Wal-Mart and other top discount chains struggling to protect their apparel supply lines from the Far East.

At presstime, lobbyists for the nation's discounters were sifting through their options in the wake of the White House textile order late last month, but a spokesman for one industry group acknowledged that "we don't seem to have many more cards to play."

One of the remaining avenues still open to discount chains and other domestic retailers is a Federal court suit challenging the President's action as illegal under both United States and international law.

At least one nondiscount retail organization—the National Retail Merchants Association—announced plans to file such a court challenge the same day that the President issued his controversial quota decision.

Discount store industry leaders from the Association of General Merchandise Chains and a number of individual chains which had actively resisted new restrictions on apparel imports were still examining their options at presstime.

The White House order was sparked by a Commerce Department investigation into charges by domestic textile mills and labor unions that the Peking government is unfairly subsidizing shipments of inexpensive textiles and apparel to discount chains in the United States.

After a number of top discount chains interceded in those proceedings, the domestic manufacturers and labor groups agreed to withdraw their complaint for 10 days to give United States trade negotiators time to strike a compromise agreement on imports with China.

But, the cooling-off period didn't produce a settlement, and the domestic industry threatened to refile its petition for relief.

Hours before the deadline the White House intervened on behalf of the United States manufacturers and unions with new rules calling for immediate restrictions on textile imports.

Significantly, the President's

(Continued on page 4)

New Quotas Are Expected To Disrupt Chains' Supplies

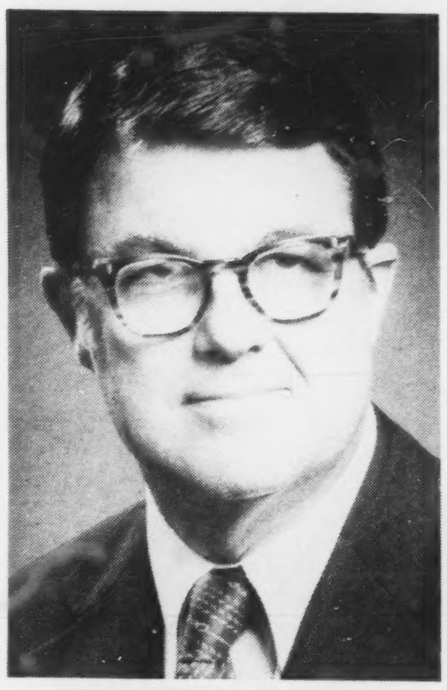
WASHINGTON—Lobbyists for the nation's discounters expect the new Presidentially imposed quotas on textile imports to create supply source disruptions for chains, higher prices for consumers and a particularly severe shortage of lower-priced apparel lines from overseas.

The trade restrictions "will mean new uncertainties for importers, greater disruption of retailers' business, and, if they succeed in their protectionist purpose, reduced availability and higher prices for many textile and apparel items," AGMC president Edward T. Borda charged.

"Retailers who sell low- or moderately priced goods will be particularly hurt since exporting nations faced with new trade restraints will tend to concentrate on shipping higher priced items," he added.

Although Borda stopped short of threatening legal action to block the White House import restrictions—a course already advocated by other retail groups—he said that "AGMC opposed the [original] petition seeking countervailing duties on Chinese exports, and we are totally opposed to the new trade restraints and any other protectionist measures that threaten our industry."

The association's next move was being debated behind closed doors at presstime.



David P. Williams, III

Robert E. R. Huntley

Williams, Huntley

Caldor, Best Appoint 'Outside' Executives To Top-Level Slots

NORWALK, Conn.—Associated Dry Goods, for the second time in a year, has appointed one of its top executives president of Caldor, the discount store division that continues to be firmly ruled by Carl Bennett, its founder and current chairman and chief executive officer.

A Closer Look

David P. Williams, III takes over as Caldor president on Jan. 16, filling a post vacant since July, when Dennis S. Bookshester resigned to become president and ceo of Carson Pirie Scott's troubled department store division. Bookshester had joined Caldor as president in January 1983 from ADG's Sibley, Lindsay & Curr division. He had headed that Rochester department store chain as president and ceo.

Williams is currently ADG's executive vice president, overseeing four divisions: L. S. Ayres, Stewart Dry Goods, Robinson's of Florida and Sycamore Specialty Stores. He has worked only in the conventional department store field.

Bookshester had joined Caldo amidst speculation that he would eventually assume full responsibility for the discounter as Bennett at that time indicated he was interested in reducing his activities. Bennett subsequently stepped up his endeavors and Bookshester later resigned.

RICHMOND—Best Products has become the second cataloger within three months (along with Service Merchandise) to go outside the industry to find a top executive for its showroom operation.

The company, the nation's largest cataloger, has named Robert E. R. Huntley, formerly president of Washington and Lee University for 15 years, as a Best executive vice president, and president and chief operating officer of its 197-unit showroom division. Huntley has also served as an outside Best board member for 14 years.

Huntley, 54, is the first president and coo of the showroom division that was set up a year ago as part of the restructuring of parent Best Products.

As head of the showroom arm, Huntley becomes one of four top company executives reporting directly to Best Products president and coo, Andrew Lewis. (The others are Joel D. Koblentz, executive vp and chief financial officer; Dudley L. Parker Jr., senior vp administration and Richard T. Riley, senior vp specialty retailing division, Best's other operational arm.)

Lewis said Huntley's "activity on the [Best] board has given him a thorough understanding of our business as well as an appreciation of the goals and aspirations of the company."

Profits of Discounters, Old-liners Shrink in Latest Fiscal Year

NEW YORK—When discounters took their recession-prompted markdown bath in the fiscal year ended last March 31, volume climbed but earnings shrank.

The strong promotional environment led to lower gross margins which, along with slightly higher expenses, tempered the positive impact of discounters' all-time-high sales per square foot and the second best sales-per-store level on record.

In comparison, the nation's economic doldrums hurt conventional department stores more severely. Pretax earnings plummeted 26% to just 3.79% of total store sales, their lowest level in 10 years. High markdowns, slowed turns and a thin 5.3% annual sales gain contributed to the lackluster performance.

Sales Improve

Discounters' expense controls formed the crux of their brighter picture. While holding expenses at 24.74% of total sales in the 1982-83 fiscal period, just 0.08% more than the year before, discounters managed sharply higher volume. On a per-store basis, sales rose 12.2% to $4.53 million; on a square footage basis, sales climbed 4.8% to a record $113.20.

Overall gross margins at discounters declined, however, from 29.47% to 29.05%, which contributed to a fall in net earnings after taxes from 1.84% of sales to 1.71% of sales.

Analysis of the merchandising and financial results of discounters and department stores is based on three studies: the National Mass Retailing Institute's *Operating Results of Self-Service Discount Department Stores, 1982-83*, the National Retail Merchants Association *1983 MOR Report for 1982*, and the NRMA *FOR Report for 1982* (with the focus on

(Continued on page 66)

Schottenstein-McCrory Offer

Joint Bid Gets HRT, Court O.K.'s

NEW YORK—HRT Industries chose a joint takeover bid from Schottenstein Industries and McCrory, after reviewing an 11th-hour offer from Abraham Zion Industries on the eve of HRT's date in bankruptcy court.

If no more bids are taken the joint offer should be approved by HRT's creditors and shareholders by the end of this month, according to Harvey Miller of Weil, Gotshal and Manges, attorney for Schottenstein.

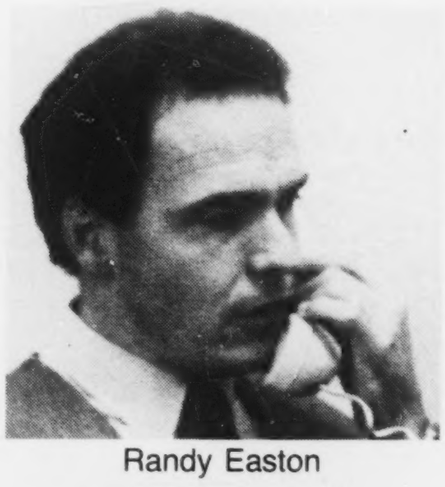
HRT decided on the Schottenstein-McCrory offer, reportedly because it involved payment of $18 million—$6 million more than the Zion offer—for stock. The bankruptcy judge accepted that decision. The Zion plan also included issuance of preferred stock for creditors, a move that reportedly would have hurt HRT on taxes.

The joint offer made by Schottenstein and McCrory provides for the purchase of 55% of common stock for $18 million with creditors receiving 35% and current shareholders retaining 10%. The two takeover partners plan to split the stock—each paying $9 million for 27.5%. In addition to the common stock, creditors are guaranteed 55% of their claims in cash.

The rejected Zion offer, which offered $12 million for 51% of HRT common stock, had been considered the best for current stockholders because it diluted their holdings the least. In the days just before the Zion bid was made, benefits for current HRT shareholders and senior management were the only points in the joint plan that were still being ironed out.

In the original reorganization plan submitted by Schottenstein, HRT management would have received 750,000 shares of the reorganized company stock and a guaranteed 10% annual salary gain. But, when McCrory bettered Schottenstein's bid to pay $12 million for 55% of the stock with an offer to pay $18 million for the same shares, that stock offer to management was dropped.

By joining forces with McCrory, Schottenstein managed to hold onto a stake in the company that operates Zodys discount stores and Karl's shoes, while risking less capital, Miller explained. Now, instead of paying out its original offer or beating McCrory's offer, Schottenstein will pay only $9 million. McCrory, an equal partner in the takeover, will also pay $9 million.



Randy Easton

DSN Ups Easton To Midwest Post

NEW YORK—Randy Easton has been named Midwest regional sales manager of *Discount Store News*, it was announced by Fred J. Filer, publisher.

Easton moves up from *DSN* Midwest sales representative, a position he held for the past three years. He was previously sales manager at Pro Sports Marketing in Atlanta.

DISCOUNT STORE NEWS
(ISSN 0012-3587), is published biweekly—every other Monday except Sept. 17 through Oct. 29, when published every third week; monthly in December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: *Retailers*—one year, $9; two years, $17. Canada: one year, $10; two years, $19. *Wholesalers, manufacturers, schools, libraries and all others*—one year, $20; two years, $38; Canada: one year, $21; two years, $40. *Foreign subscriptions:* Airmail only, $100 per year. Single copy rate, $2, except annual census issue, $20.

Second-class circulation postage paid at New York, N.Y., and additional mailing offices.

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Vol. 23, No. 1 Jan. 9, 1984

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CONSUMER ELECTRONICS

CES Highlights Telephones, Computers

By BRENT H. FELGNER

LAS VEGAS, Nev.—Telephones and home computers were expected to remain at center stage during 1984's Winter Consumer Electronics Show (CES), though the level of confusion shouldn't be as intense as at last summer's show.

At any rate, discounters planned a more directed approach to the business at hand—plotting second-half '84 strategies and programs. Many said that short of major new product announcements, their slightly larger delegations would seek to work the four exhibition halls more methodically and carefully.

But, the sheer size of the show still threatened to disrupt those plans. More than 80,000 visitors were expected to jam the nearly ¾ million sq. ft. of exhibit space.

This is the so-called "buying show"—though, typically, only preliminary commitments are made, if any, by the larger chains. That's been especially true of some of the more explosive merchandise categories.

While the focus, as always, will remain on new product introductions, many of the discounters were looking to CES for a stronger sense of the current trends, among them:

—New or newly viable players in the home computer market, such as Apple.

—Signs that Atari and Coleco's price increases will hold—a sign of stability in the marketplace—and whether they'll be followed by others, such as Commodore.

—An update on the available supplies of home computers.

—Educational computer software.

—Efforts by video game manufacturers to halt further deterioration of that market.

—A.T.&T.'s still developing plans in the mass market.

—Whether, in general, telephone prices will continue to fall while supplies hold up.

Home computers? Video games? Portable audio? K mart has set up its home computer service island with an eye toward versatility, enabling it to work for other merchandise categories as well. *(DSN photo)*

"We're also looking for the sleeper—the one that's invariably there, somewhere—that can make the spring," said John Dankwardt, buyer for Prange-Way.

Like many others, though, Dankwardt expected the bulk of his time at the show to be spent in refining the chain's efforts in telephones and home computers.

Phones seem to have the edge this year, if only because of their projected volume, relatively stable margins and the New Year's timing of A.T.&T.'s break-up. A number of chains were actively considering the company's program prior to coming to the show, while others had plans to meet with A.T.&T. executives while here.

Buyers said their focus in computers will be on boosting margins and building programs.

"Consumers know telephones and that makes them an easier sale," said Frank Remaley, dmm, Murphy's Mart. "Even the new phones, like the cordless, have been selling strongly."

Remaley said he'd be looking at some higher-tech phones as well as those with extensive features.

On the computer side, the chain was seeking to bolster its offerings, specifically with a replacement for the now-gone TI. Remaley said a continuing effort was required to keep the category even marginally profitable—adding that Murphy's Mart computer centers have received wide acceptance.

"It's a difficult category—one that takes a lot of time and effort to manage successfully," said Tom Kiley, vp, Jamesway.

The New Jersey-based chain has been selective about installing computer programs in its stores, Kiley said, in the belief that such programs might not yield results chainwide.

On the heels of a strong fourth-quarter showing by video games, many discounters were seeking ways to capitalize on what's left of that market.

The pricing situation was expected to be an important determining factor.

"We've found we can move massive quantities of the budget-priced cartridges," said Bob Gunn, merchandise manager for Gaylords. "Even with this decline in the category the cartridges will continue to sell on the strength of the current video game base."

Phone Sales Seen Getting Hotter; A.T.&T. Ups Plans

Nationwide DSN Report

Discounter telephone sales, which gathered a full head of steam in 1983, are expected to move even faster in 1984.

Virtually every major chain had a telephone program during the last year—from experimenting with the low-end, one-piece models to the A.T.&T. Phone Booth program.

With the gloves off in the telephone business, as a result of the A.T.&T. divestiture, many chains have expressed an active interest in pursuing higher-end lines, most notably A.T.&T.

A few have already entered into talks with the company, such as K mart, while many others have planned talks with it during the Winter CES.

It appears that A.T.&T.'s own programs have done more to stifle that additional business than anything else, however. The company, in 1983, took an all-or-nothing approach to the market by mandating that discounters take its entire Phone Booth program, rather than permitting the line to be cherry-picked.

Additionally, some chains said that the phone giant's pricing wasn't sharp enough to allow them to offer more than nominal discounts at retail to maintain slim margins.

Those factors, combined with the pluses of the firm's image and recognized product quality have left many buyers torn on the issue of whether to go with the program.

But, things may be changing.

"They've changed their attitude considerably in recent months," said Marty Jacob, vp, merchandising for the Federated Group, the 15-unit West Coast CE specialist. "They've started to loosen up on their pricing and programs and will probably do more this year. They have to; they're out there competing for real now."

A.T.&T. vp/national sales manager Al Franks agreed, if only partially. Yes, the company will become more promotional this year both to consumers and to the trade, he said, but it won't compromise its programs. The chains will have to take the entire Phone Booth program—or nothing.

"I don't like their lack of support and I don't like being dictated to about what should be done in our stores," said Doug Johnson, buyer for the Oregon-based Bi-Mart. "They have to realize they're in a new ball game now."

Merchants at other chains expressed similar reservations, although many seemed willing to set them aside in favor of going with the Phone Booth program.

"I really don't know what we should do," said one merchandise manager who asked not be identified. "I'm really not that crazy about their terms but I don't see how we can be in the phone business without their program."

At T.G. & Y., associate buyer Rex Hollaway seemed also to be leaning toward the Phone Booth program, apparently justifying his feeling by the additional volume he would expect it to produce.

"We might sell fewer units, overall, but at higher price points," he said. "In terms of dollars, I expect to double my phone business in 1984."

T.G. & Y. currently handles 25 sku's ranging in price from $5.96 for one-piece units carried on an in-and-out basis, to $79 for a clock-radio phone.

(Continued on page 77)

Chains, Suppliers Will Participate In 2nd DSN Roundtable Discussion

LAS VEGAS, Nev.—Managing—and profiting from—the home computer market will be the continuing focus of top executives of suppliers and leading discount chains at a roundtable meeting during the Winter Consumer Electronics Show (CES) here.

The discussion, sponsored by *Discount Store News,* is scheduled to be held at 7:30 a.m., Monday (Jan. 9) at the MGM Grand Hotel. It's the second in a series of meetings aimed at fostering a high-level dialogue on the merchandising and marketing of the home systems.

The first roundtable meeting was held in Chicago last June during the Summer CES.

Among the panelists and companies that had confirmed their participation at presstime were: Linwood "Chip" Lacey, senior vp, merchandising, Best Products; Joe Mullen, dmm, Hills; Commodore; Coleco; Jack Mueller, senior vp, marketing, Child World; Joe Naughten, general manager, electronics, Gemco; Timex; Broderbund; Bill Prophater, vp, gmm, hard lines, Gold Circle; Jerry Fine, dmm, Ames; Spinnaker Software; Software Distribution Services (SDS); Frank Remaley, dmm, G. C. Murphy Co., and Sibex book publishers.

A transcript of the session will be published in a subsequent issue of *DSN.*

CONSUMER ELECTRONICS

Discount stores, like Venture, Springfield, Ill., are becoming bolder in VCRs in light of falling price points and consumer acceptance. Venture features a JVC VHS unit at $599.99 and a Sanyo Beta unit, $399.99. *(DSN photo)*

Manufacturers' Home Video Sales Climb

PRODUCT	Nov. 1983	Nov. 1982	% Change	Jan.-Nov. 1983	Jan.-Nov. 1982	% Change
Color TV	1,378,380	1,053,360	+30.9	12,444,089	10,210,227	+ 21.9
Monochrome	608,354	488,479	+24.5	5,153,447	5,084,072	+ 1.3
TOTAL TV*	1,986,734	1,541,839	+28.9	17,597,536	15,295,199	+ 15.1
Projection TV	16,288	14,617	+11.4	125,349	101,629	+ 23.3
Home VCR	434,070	232,595	+86.6	3,489,524	1,703,124	+104.9
Color Video cameras	40,694	23,665	+72.0	343,372	252,756	+ 35.9

**Excludes projection television.* *Source: Electronic Industries' Association's Consumer Electronics Group*

Home Video Hot; Shipments of VCRs To Stores More Than Doubled in 1983

WASHINGTON—Exceeding the 1982 total by 105%, video cassette recorders led the 1983 growth rate of the entire home video product line.

For the first 11 months of 1983, nearly 3.5 million VCRs were shipped by manufacturers in the United States.

Every category of home video posted sales increases over 1982, according to data compiled by the Electronic Industries Association's Consumer Electronics Group (EIA/CEG). Highlights of the data include:

- Color television sales to dealers in November increased by nearly 31%; 22% more color televisions were sold for the first 11 months of 1983 than in 1982.
- Monochrome television sales in November increased by 25% over November 1982 and 1.3% for the first 11 months of 1983.
- Color video camera sales numbered over 40,000 in November, a 72% increase from the prior-year period. This brought the total sold in the United States in 1983 to more than 343,000, 36% over the previous year.
- Projection television sales increased 11% in November, bringing them 23% ahead on a year-to-date basis.

If you're looking for a phone program that rings some bells, there's someone you should talk to.
Midland CES Booth 803
MIDLAND 816/241-8500

It takes more than a few telephones and some fast talk to make your cash registers ring.

It takes a complete program built on planning, forethought and concern. That's why Midland telephones are built to American telephone performance standards. Yet cost 25 to 40 percent less.

We cover all price points with 26 SKU's of hardwire and Cord-Free telephones. A complete line that gives customers the features they want with the quality they expect. Solidly backed by a 1-year limited warranty.

There's a national sell-through consumer campaign and a complete co-op program with a hard-selling POP package.

Any way you look at it, if you're going to be in phones in 1984, you should be talking to Midland. So call us today at 816-241-8500. Or write our Consumer Products Division, Dept. CSA/1, at 1690 North Topping, Kansas City, Missouri 64120. **Better yet, join us at CES Booth 803!**

MIDLAND INTERNATIONAL CORPORATION

A member of the Beneficial Corporation family

tech hifi

(Continued from page 47)

service levels with high prices. While it was advertising its homey, laid-back environment, ("Come Play," was one earlier theme), its competitors, such as Crazy Eddie in Metropolitan New York, were advertising "insane prices."

Hence, the change in tech hifi's advertising approach, bolstered to a lesser degree by sharpened prices and trimmed margins, enabling it to pitch, "Save up to 50% and more, everyday in every store!"

While the claim may be correct—based on manufacturers' suggested list prices—it could be argued that even the most casual shopper is aware that no one has to pay full retail for most CE products.

Also, the chain's advertised prices still don't appear very sharp. Video recorders, a strengthened area of emphasis for the chain, provided good examples. The Panasonic PV 1220 VHS recorder appeared in the Paramus, N.J., store priced at $429.

But, a Caldor store, also in Paramus, matched hifi's price during a sale on the unit; the price was comfortably beaten by Service Merchandise, which also has a Paramus unit, with a $418.84 listing in its catalog.

Mayes and Merrick responded that their chain's price protection policies will keep it in the price-slashing ball game. That may be true in situations where customers are already in the stores and salesmen are attempting to close the sale. But, it hardly seems sufficient to attract the kind of traffic necessary for its thinner margins.

In fact, exactly the opposite may be true. The chain's price-item advertising could become one of the "lowest advertised prices" used by some consumers when playing the lowball price game.

Merrick maintained, though, that the ad campaign will continue to work *because* of its price-item approach.

"The others are out there pushing 'insane prices' but not telling the customer how much and what for," he said. "What we're telling people is that in addition to knowledge and product we do have price—and we have it everyday."